



GUIDE TO COMPLETING THE SECTION 85 TAX DEFERRAL ELECTION

In respect of

Canada Life Financial Corporation

**share acquisition
by**

Great-West Lifeco Inc.

***** Late Filing Version *****

**GUIDE TO COMPLETING THE SECTION 85
TAX ELECTION
Late Filing Version**

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INTRODUCTION

This Guide has been developed to assist you in filling out form [T2057](#) titled: **ELECTION ON DISPOSITION OF PROPERTY BY A TAXPAYER TO A TAXABLE CANADIAN CORPORATION** (“Section 85 Tax Election” or “Tax Election”). The Section 85 Tax Election will allow you to defer capital gains that arose pursuant to the acquisition of Canada Life Financial Corporation (“CLFC”) by Great-West Lifeco Inc. in 2003 (the “Transaction”).

The instructions within this Guide are of a general nature only and are not intended to be (nor should they be construed to be) legal or tax advice. Accordingly, you should consult with your own tax advisor for specific advice on making the Tax Election, having regard to your own particular circumstances.

The instructions in this Guide relate to the filing of a **SECTION 85 TAX ELECTION** to defer the taxable gain on the portion of your CLFC shares which were exchanged for shares of Great-West Lifeco. You cannot defer a capital gain that is associated with cash you received or will be receiving from the Transaction.

LATE FILING VERSION

Under the Income Tax Act (“Act”), the Tax Election form should have been filed in your tax return for the taxation year in which the Transaction occurred (i.e. 2003). The **SECTION 85 TAX ELECTION** must be jointly made by you and Great-West Lifeco, and a completed copy must then be sent by you to CRA. As many individuals did not complete their forms on time, Great-West Lifeco has decided to continue to accept Tax Elections beyond our original deadline. The normal late filing period for CRA to accept a late Section 85 Tax Election for this transaction is April 30, 2007, however there are provisions in the Act for filing beyond that date. You should send the completed form to Great-West Lifeco as soon as possible. Great-West Lifeco will sign and return the form to you so that you may forward the completed forms to CRA as soon as possible.

Since your Tax Election is late CRA will charge you a late penalty. On page 6 of this Guide, in the **Answers to Frequently Asked Questions** section, we have included instructions on **how to calculate your late penalty**. Please note, you must submit payment for the late filing penalty to CRA with your Tax Election forms as well as the tax and any interest on any capital gain that cannot be deferred.

THE TAX ELECTION PACKAGE

The Tax Election form is called the [T2057](#) and is enclosed with this Guide, along with:

- i. a Tax Election Filing Authorization Letter (for you to sign and submit to CRA);
- ii. a list of Tax Centres and Tax Services Offices;
- iii. 2 blank copies of the T2057 forms (the Tax Election forms, for you to fill out and return to Great-West Lifeco); and
- iv. Information on objecting to your tax assessment and fairness applications.

DO I QUALIFY TO FILE AN ELECTION?

Generally you can use these instructions to file the Tax Election if all of the following statements are true:

1. You received some Great-West Lifeco shares on the Transaction.
2. You did not elect to have “Small Lots” sold for you.
3. You are an individual person. (Not a corporation, trust or partnership)
4. You held your CLFC shares as capital property. (Generally this is true unless you are in the investment business and/or have elected to have investments taxed as income property. If you do not know the answer to this question you likely DO hold your shares as capital property.)
5. You are resident in Canada for tax purposes, and have been since you acquired the shares.
6. You held your shares alone – not jointly with another co-owner.
7. You do not have any other unusual tax attributes.

ANSWERS TO FREQUENTLY ASKED QUESTIONS

Why has CRA sent me a letter stating that I owe capital gains taxes for the 2003 acquisition of Canada Life?

CRA receives a copy of all dividend payments made to individuals each year. CRA was also aware that in 2003, Canada Life shares were exchanged for cash and shares of Great-West Lifeco pursuant to Great-West Lifeco's acquisition of Canada Life. CRA is now contacting former shareholders of Canada Life who did not report a gain or file a Section 85 Tax Election form in their 2003 tax return.

Why did Computershare or Canada Life or Great-West Lifeco not send me a tax form reporting the gain on the 2003 Transaction?

Neither CRA nor the tax laws require the issuer of shares to file tax slips with shareholders for this sort of transaction. CRA expects individual taxpayers to keep track of their own capital gains.

Why was I not informed about this Transaction or the capital gains taxes before?

A proxy circular dated March 22, 2003 was sent to CLFC shareholders. The proxy circular explained the terms of the Transaction and contained general tax considerations for shareholders. It also stated that shareholders should consult their own investment or tax advisor for information about their own particular circumstances. In addition to the Proxy Circular, Canada Life and Great-West Lifeco sent other communications to shareholders regarding the Transaction, asking shareholders to make elections and chose the type of proceeds they wished to receive.

I didn't buy any Canada Life shares. How did I get them? All I have from Canada Life is a participating life insurance policy that I bought many years ago.

You likely received your shares as a result of your owning a Canada Life participating life insurance policy. Canada Life demutualized in 1999 and became a share corporation. You, as a participating policyholder were issued a certain number of shares of Canada Life, based on the characteristics of your insurance policy.

What is the “cost base” of the Canada Life shares I received on demutualization? How do I calculate gains?

The “cost base” of the shares issued on demutualization was set at zero by the Department of Finance. If all your CLFC shares were received upon demutualization then you had a zero cost base on all your CLFC shares. If you received any cash from the 2003 Transaction, that portion of your proceeds is taxable as a capital gain, and one half of the cash amount should be reported as taxable income for 2003. The value of any Great-West Lifeco shares you received will also be taxable as a capital gain unless you complete a section 85 Tax Election to defer this portion of the capital gain. Note that, with a zero cost base, you can not defer the gain in respect of any cash you received even if you file a Tax Election.

What if I bought my CLFC shares?

If you purchased your CLFC shares, you would have a cost base on these shares. Your cost base is the amount you paid for the shares. The value of any cash and Great-West Lifeco shares that you received on the 2003 Transaction, minus the cost base of your CLFC shares is taxable as a capital gain. One half of that amount should be included in your taxable income for 2003.

If you file a Section 85 Tax Election you can allocate all of the cost base of your CLFC shares to the cash element of the disposition, thereby reducing some or all of the gain on that portion of the proceeds. Through the Tax Election you can defer all the gain associated with the Great-West Lifeco shares you received.

What is the penalty for late filing the Section 85 Tax Election? How is it calculated?

The penalty for late filing the tax election is calculated based on the amount of gain deferred by the Tax Election, and the number of months since the Tax Election was originally due. The Tax Election was originally due on April 30, 2004. The formula for calculating the penalty is on the first page of the T2057 Tax Election form. Please see the next section for an example on how to calculate the late penalty.

Can the penalty be applied against the gain when I later sell the shares?

No. The penalty does not reduce the gain you will report if you later sell the Great-West Lifeco shares.

My CRA letter says I received cash, but I don't remember receiving cash. Why was cash even given?

CLFC shareholders were asked to elect the type of consideration they wished to receive from the Transaction. Shareholders who elected to receive common shares, actually received a combination of Great-West Lifeco common, preferred shares and cash, as more common shares were elected than were available. If a shareholder did not make an election, they received a combination of preferred shares and cash.

Great-West Lifeco issued common shares, preferred shares and cheques to fulfil its obligation of giving you \$44.50 for each of your CLFC shares to complete the purchase. Cheques were mailed to the address Computershare had on file for you at that time.

Computershare is responsible for issuing the cash (and shares) to our shareholders. You should contact Computershare and ask the details of what you received from Great-West Lifeco upon the Transaction, and compare this information with CRA's letter. Computershare will also be able to tell you whether you were issued a cheque for the cash proceeds, and whether that cheque was negotiated (cash). If their records indicate that you did not cash your cheque, then Computershare will ask you some security-related questions to verify your identify and then assist you in having a replacement cheque issued. Please note that even though you may receive your cash now, it is taxable as of 2003. You may wish to discuss the consequences of not reporting in 2003 with your tax advisor or with CRA. You can also write to CRA at the address provided at the end of this Guide.

Computershare's phone number is 1-888-284-9137. To update your address, you need to provide change of address instructions directly to Computershare.

Why did I not receive a tax deferral package in 2003?

On May 6, 2003 you were mailed a package where you were asked to elect the type of consideration you preferred to receive. At that time, we asked whether or not you would like to receive a section 85 tax election package. If you did not indicate that you wanted an election package, it would have not been mailed to you.

Will I be charged any late interest penalties by CRA for filing a tax deferral now, as opposed to 2003?

Yes. CRA applies interest and late penalties for taxes in arrears. You will have to compare whether you are better off by filing a late section 85 election with a late penalty versus paying

the taxes in arrears with interest. Either way, this Guide and the T2057 will assist you in making this decision.

If you feel the interest and penalties are unfair or unjustified in your case, you may wish to write to CRA **Fairness Committee** at: Jonquière Tax Centre, 2251 René-Lévesque Boulevard, Jonquière QC G7S 5J1, Fax: 418-548-0846

Are the interest and penalties deductible in computing your income?

No.

What is a s.85 Tax Election used for?

The section 85 Tax Election allows an investor to defer all or part of the taxable capital gain that would normally arise on the disposition or surrender of their shares of Canada Life Financial Corporation (also called “CLFC shares”) where they received shares of Great-West Lifeco. If you received only cash you cannot file a Tax Election.

Since many CLFC shareholders received cash along with three different types of Great-West Lifeco shares, the Tax Election may be somewhat difficult to complete. The following instructions explain how to complete the Tax Election in order to defer as much taxable gain as possible if you received common, preferred shares and cash. If you received only preferred shares you will need to adjust your form accordingly. The tax that is deferred will become payable later on when you sell your shares of Great-West Lifeco.

What are “CLFC Exchangeable” shares?

As part of the deal, each CLFC shares that was held by the shareholder was exchanged for ONE “Exchangeable Share of Canada Life Financial Corporation”. This conversion was carried out as an automatic tax-free rollover under section 86, and does not require any action on the shareholder’s part, nor any Tax Election form. The cost of the CLFC shares rolls forward to become the cost of the “Exchangeable Shares of Canada Life Financial Corporation”. Basically this means that what you paid for your CLFC shares, will become what you paid for the Exchangeable shares. The cost amount is important since it will be deducted from sale proceeds to determine capital gains later on. The number of shares held also remains the same.

You can safely ignore this first exchange transaction except for one minor item. In completing the section 85 for the subsequent exchange of “Exchangeable Shares of CLFC” for Great-West Lifeco shares and cash, you should describe what you sold as “Exchangeable Shares of Canada Life Financial Corporation”.

I am a Quebec resident, do I use this Guide and T2057?

No. You will need to fill out [TP-518V](#) which is the required Quebec tax election form for all shareholders other than partnerships. This Guide does not address making a Quebec election – please see your own tax advisor regarding the Quebec election.

GENERAL GUIDELINES FOR COMPLETING THE ELECTION PACKAGE

THE FOLLOWING INSTRUCTIONS ARE INTENDED TO ASSIST YOU WITH COMPLETING THE TAX ELECTION FORM CONTAINED IN THE TAX ELECTION PACKAGE ACCOMPANYING THIS GUIDE. THIS INFORMATION IS NOT INTENDED TO BE TAX OR LEGAL ADVICE. WE STRONGLY SUGGEST THAT YOU REVIEW THIS PACKAGE AND YOUR TAX ASSESSMENT WITH YOUR OWN PERSONAL TAX ADVISOR.

THE FOLLOWING INSTRUCTIONS WILL SHOW YOU HOW TO FILL OUT THE S.85 ELECTION FORM. WE HAVE USED MR. SMITH AS AN EXAMPLE.

The following example illustrates the factors that may be involved in your current tax assessment. Your particular situation will differ from this example, which is the reason we strongly suggest your consulting with your own tax advisor.

- ▶ In 1999 Mr. Smith received 50 shares of CLFC when Canada Life demutualized. He did not pay for these shares, so they have a zero (0) cost base.
- ▶ In 2001 Mr. Smith bought 50 additional CLFC shares through his broker and paid \$30.00 per share. He also paid \$50.00 in broker fees.
 - ▶ His cost base of the 100 CLFC shares is therefore \$1,550.00 [(\$0 x 50 shares) + (\$30.00 x 50 shares) + \$50.00 broker fees = \$1,550]
 - ▶ Mr. Smith's average cost of his CLFC shares is \$15.50 per share (\$1550.00 divided by 100 shares)
- ▶ The 100 CLFC shares became 100 Exchangeable Shares of CLFC in 2003.
- ▶ Mr. Smith elected to receive all common shares of Great-West Lifeco.
- ▶ Since common shares were over-requested, Mr. Smith was allocated the following from Great-West Lifeco on July 15th, 2003:
 - \$1,971.15 in Cash
 - 58.055 Common Shares of Great-West Lifeco
 - 8.4505 Preferred Shares, Series E of Great-West Lifeco
 - 2.4502 Preferred Shares, Series F of Great-West Lifeco

- ▶ Since fractional shares could not be distributed, Great-West Lifeco sold the fractional shares on the open market through a broker. Mr. Smith received a second cheque dated July 18th in the amount of \$ 50.34. Therefore, Mr. Smith had remaining 58 Common shares (worth \$2,178.51), 8 Preferred Series E shares (worth \$200), and 2 Preferred Series F shares (worth \$50).
- ▶ The total cash Mr. Smith received from the Transaction was \$2,021.49 (\$1,971.15 + \$50.34)
- ▶ At the time, Mr. Smith did not realize the proceeds (cash plus shares) were taxable. On Nov. 11, 2006, Mr. Smith received a letter from CRA stating that he had a capital gain of \$4,450.00 in 2003, half of which should have been included in his tax return, in the amount of \$2,225.00.
- ▶ After consulting with his advisors and CRA, Mr. Smith has decided he wishes to defer the capital gains on his shares by filing a Section 85 Tax Election so that he only has to pay the capital gains on the cash portion.
- ▶ Mr. Smith contacted Canada Life (or Great-West Lifeco) and received the Guide and the Forms for the Tax Election.

PAGE 1 OF ELECTION FORM

1. COMPLETE THE FIRST BLOCK ON PAGE 1 OF THE ELECTION

- a) Enter your Name.
- b) Enter your social insurance number.
- c) Fill in your mailing address.
- d) Enter the tax year *2003/01/01* to *2003 / 12 / 31*
- e) The 'Tax Services Office' is listed on the 8th page of the Information Package you received with the Tax Election form (this page is not numbered). Choose the one which services your home address.

2. IGNORE THE SECOND BLOCK ON PAGE 1 unless the CLFC shares were jointly owned by more than one person.

3. THE THIRD BLOCK ON PAGE 1 WILL BE COMPLETED BY GREAT-WEST LIFE CO EXCEPT FOR THE LAST LINE. Enter your own name and phone number, unless you want some one else (such as your tax advisor or a relative or friend) to talk to the tax authorities on your behalf. In that case enter their name and phone number in these boxes.

4. AS YOU WILL BE LATE FILING THE ELECTION YOU WILL NEED TO COMPLETE THE FINAL LARGE BLOCK ABOUT PENALTIES ON PAGE 1. You should complete the late filing section after you have completed the Schedule on page 3 ("Particulars of Eligible Property disposed of and Consideration Received") of the Tax Election form. For "fair market value" enter the amount from column 2 of the page 3. For "agreed amount" enter the amount from column 4 of page 3. For N#, count the # of months from May 1, 2004 until the current month. Please refer to the Section on Late Payments for instructions on how to calculate your late filing tax penalty.

PAGE 2 OF ELECTION FORM

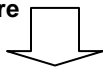
5. COMPLETE THE INFORMATION SECTION AT THE TOP OF PAGE 2

- a) Answer the fifth question (“Is the taxpayer a non-resident of Canada?”) with an “X” in the “NO” box.
- a) The following question (“Are any of the properties transferred capital properties?”) has already been answered for you as a “YES”. (Ignore instruction 3 in the accompanying information package, which tells you to do this.)
- b) Ignore the three spaces following the questions that ask for the name of the corporation, business number and paid-up capital.

6. COMPLETE THE BOX CALLED “DESCRIPTION OF SHARES RECEIVED”

You need to complete a separate line for each type of Great-West Lifeco share you received. Here is an example of this section that is properly completed for our example shareholder Mr. Smith. **Apart from the first column (“Number of Share”), you can copy the other information from this example onto your own form for each type of shares you received.**

Start here



Number of shares	Class of shares	Redemption value per share	Paid-up capital	Voting or non-voting	Are shares retractable?	
					Yes	no
8	Series E	\$25.00	-	Non-voting	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> no
2	Series F	\$25.00	-	Non-voting	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> no
58	Common	N/A	-	Voting	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> no
					Yes	no



Enter the actual number of each type of Great-West Lifeco shares that you received.

The following instructions cover this same block in more detail:

- a) First **enter the description of the types of shares you received** from Great-West Lifeco in the second column called “Class of shares”. Write “**Series E**”, “**Series F**” and “**Common**”, on separate lines in the second column.

- b) Next **enter the number of shares that you received of each class** in the first column. The number of shares you received of a particular class is shown on each Share Ownership Statement, to the right of your name and address. There will be a separate Share Ownership Statement for each type of Great-West Lifeco share you received (Series E, Series F and Common). The Statements will show this information like this on the upper right side:

Number of Lifeco Common Shares

58

This number may also be shown on your letter from CRA. If you have trouble finding this number call Computershare or your broker.

- c) In the third column **enter “\$25.00” beside Series E and Series F shares and “N/A” beside Common shares.** Leave the column called “Paid up capital” blank.
- d) In the fifth column **enter “Non-voting” beside Series E and Series F shares and “Voting” beside Common shares.**
- e) In the last column **tick the “NO” box** for all types of shares.

PAGE 3 OF ELECTION FORM

7. AT THE TOP OF PAGE 3 ENTER THE TRANSACTION DATE - JULY 10, 2003

Year	Month	Day
<i>2003</i>	<i>July</i>	<i>10</i>

8. COMPLETE THE TOP OF THE LARGE TABLE ON PAGE 3

This last section is the most difficult part of the Tax Election form. If you just follow each of the steps below, one at a time, in the order suggested, you should be able to complete this section of the Tax Election correctly.

This transaction involves capital property, for which 3 lines have been provided on the form. You may need four lines, or more if your handwriting is large, so cross-out the next sideways

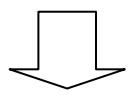
description “Depreciable Property” in the left hand sidebar, as shown below. Don’t worry about using more than the three lines in the capital property section.

We have added an extra row to the following example chart, near the top, to number the columns to help you with the instructions. This does not appear on the real form.

A
FILL IN THESE 3
COLUMNS FIRST
 ABOUT THE CLFC SHARES
 YOU GAVE UP

C
COMPLETE THESE
2 COLUMNS LAST

B
COMPLETE THIS BLOCK
SECOND
 ABOUT WHAT YOU GOT
 FROM GREAT-WEST LIFEFCO



	Property Disposed Of			B Agreed amount	Amount to be reported B - A	Consideration received		
	Description	Elected amount limits				Non-share Description	Share Number & class	Fair Market Value
		Fair market value	A (=Cost)					
Column	1	2	3	4	5	6	7	8
Capital property excluding depreciable property	100 Exchangeable Shares of	\$4450.00	\$1550.00	\$2021.49	\$471.49	Cash	-	\$2,021.49
	Canada Life Financial						8 Series E	\$200.00
	Corporation						2 Series F	\$50.00
Depreciable property						-	58 Common	\$2,178.51
Eligible capital property								

- A) Columns 1, 2, and 3 of the large table refer to the Exchangeable shares of CLFC that you surrendered to Great-West Lifeco.
- i) **Enter the number and description of the shares you gave up in the first column.** For example Mr. Smith had 100 CLFC shares after the automatic conversion (see Background Information above), he had 100 Exchangeable Shares of Canada Life Financial Corporation. (Make sure you enter the number of shares YOU had, not 100 as in our example.)

- ii) **In column 2 enter the ‘fair market value’ of the CLFC shares you surrendered.** The entire deal was priced at \$44.50 per CLFC share. You should enter the number you get when you multiply the number of your CLFC shares times \$44.50 in the second column. In our example for Mr. Smith we entered \$4,450.00, which equals 100 shares times \$44.50.

- iii) **In column 3 enter YOUR cost of the CLFC shares that were surrendered.** In our example, Mr. Smith received 50 shares when Canada Life demutualized, so his cost is zero on these shares. He later bought 50 shares for \$30.00, and paid a \$50.00 broker fee. So his total cost for his shares is \$1,550.

If you received all your CLFC shares from demutualization, you must enter zero in this column. If you bought your CLFC shares, you will need to remember what you paid in total for all your shares, including the brokerage fee. Your broker should be able to tell you what you paid. If you received shares under the Canada Life Employees Share Purchase Plan, your cost is the total of what you paid PLUS the amount that the Employer paid (which was reported to you as a taxable benefit).

B) Columns 6, 7 and 8 of the large table refer to the consideration that you received from Great-West Lifeco.

- i) **On the first line of column 6 write the word “cash”.** Leave the next column blank. In the first line of column 8 enter the amount of cash you received from Great-West Lifeco. Remember that you likely received two cheques from Great-West Lifeco, one dated July 15th for the first settlement amount, and a second smaller cheque dated July 18 for the proceeds from the sale of fractional shares to complete your entitlement. In our example Mr. Smith received a total of \$2021.49 in cash.

- ii) **In the second line of columns 7 (“Share/Number & Class”) and 8 (“Fair Market Value”) enter the number and value of the Series E shares you received.** In column 7, on the second line, write YOUR number of Series E shares, the same as you entered earlier on page 2. For the fair market value of each Series E share, we have used \$25.00, which is their redemption value. On the second line of column 8 you would **enter the amount of \$25.00 times the number of Series E shares** you received. In our example Mr. Smith received 8 Series E, worth \$200.00 (8 shares times \$25.00.)

- iii) **In the third line of columns 7 (“Share/Number & Class”) and 8 (“Fair Market Value”) enter the number and value of the Series F shares you received.** In column 7 on the third line, write YOUR number of Series F shares, the same as you entered earlier on page 2. For the fair market value of each Series F share, we have used \$25.00, which is their redemption value. If you choose to use this same value, then on the third line of column 8 you would **enter the amount of \$25.00 times the number of Series F shares** you received. In our example Mr. Smith received 2 Series E, worth \$50.00 (2 shares times \$25.00.)
- iv) **In the fourth line of the columns 7 and 8 enter the number and value of the Common shares of Great-West Lifeco that you received.** In column 7 on the fourth line, write YOUR number of Common shares, the same as you entered earlier on page 2. For the fair market value of the Common shares, you have to do some calculating. Take the total of the fair market value of your CLFC shares from column 2, and then subtract the combined fair market values of the cash, the Series E and the Series F shares that you just entered in column 8. The remaining amount is the fair market value of your common shares of Great-West Lifeco. **Enter this amount in the last column of the fourth line.** The fair market value of the CLFC shares you surrendered should equal the total fair market values of all the types of consideration you received from Great-West Lifeco, including cash and shares.

In our example Mr. Smith’s fair market value of his CLFC shares is \$4,450.00. From this we subtract the fair market values of the cash (\$2021.49), the Series E (\$200.00) and the Series F (\$50.00) to get a balance of \$2178.51.
($\$4450.00 - \$2021.49 - \$200.00 - \$50.00 = 217.51$)

- C) In columns 4 and 5 you will determine the “Agreed Amount” and find out whether you have a taxable gain on this Transaction.
- i) **In column 4 enter the “Agreed Amount” which is the LARGER of these two values: your COST of the CLFC shares (from column 3) OR the amount of CASH you received (from line 1 of column 8).** In our example Mr. Smith paid \$1550.00 for his 100 shares of CLFC, but he received \$2021.49 in cash from the transaction. Mr. Smith must enter \$2021.49 as his “Agreed amount” in order to pay the least amount of tax. (If he puts in a lower figure his Tax Election would be invalid.) If you received all your shares on demutualization, then you have a zero cost, and must use the amount of cash received as your “Agreed amount”. The Agreed Amount becomes the taxable proceed of the Transaction, instead of the Total Value Received.

- ii) In column 5 enter the “Amount to be Reported” which is the capital gain from the Transaction. **The “Amount to be Reported” will equal the amount, by which the “Agreed Amount” exceeds your cost of CLFC shares. Subtract the amount in column 3 from the amount in column 4 to determine the “Amount to be reported” to enter in column 5.** If the cost of your CLFC shares was greater than the cash you received, this amount will be zero. **If you have an “Amount to be Reported”, this will be a capital gain. Half of the “Amount to be Reported” will be your taxable capital gain for 2003. This will be the amount that CRA will include in your 2003 income after receiving your s. 85 Election form.**

In our example Mr. Smith subtracts the cost of his CLFC shares (from column 3 = \$1,550.00) from his “Agreed Amount” (which was the \$2021.49 of cash he received) to get his “Amount to be Reported” of \$471.49 (\$2,021.49 - \$1,550.00) Half of this, or \$235.75 is the taxable capital gain that he will now include in his taxable income for 2003.

9. SIGN THE ELECTION FORM IN THE FINAL BLOCK ON THE THIRD PAGE – but do not enter the date.

Sign only the first signature space for “Transferor” at the bottom of the third page.

Great-West Lifeco will sign the middle space as “Transferee” and will also date the form.

CALCULATING THE LATE FILING PENALTY (FRONT PAGE OF ELECTION FORM)

In order to calculate the late filing penalty, the following steps and calculations are required:

- a) Take the fair market value of your former CLFC shares and subtract the Agreed Amount (Column 4). The difference (= A) will be used in the following formula:

$$A \times \frac{1}{4} \times 1\% \times N^*$$

For Mr. Smith:

Fair market value of former CLFC shares that you currently own	100 shares x \$44.50 = \$4450.00
Subtract with the Agreed Amount = A	\$4450.00 - \$2021.49 = \$2428.11
Apply the formula: $A \times \frac{1}{4} \times 1\% \times N^*$ (*N is the sum of each month from the original due filing date, or \$8,000 whichever is lesser. The due date was April 30, 2004)	\$2428.11 x $\frac{1}{4}$ x 1% x 35 = \$212.46

Therefore, assuming Mr. Smith filed his tax election on March 15th 2007, which is 35 months of penalty, he should include a cheque payable to the Receiver General in the amount of \$212.46 for the late penalty.

STEPS NECESSARY TO COMPLETE THE ELECTION

1. Make TWO COPIES of the three page Election form that you have just completed. You need to **MAIL ONE ORIGINAL AND ONE COPY OF THE THREE PAGE SECTION 85 ELECTION TO GREAT-WEST LIFECO.**
2. **Make ONE copy of your CRA notice letter.**
3. Mail or fax (1) the two signed copies of the Election forms and (2) a copy of the CRA notice letter as soon as possible to Great-West Lifeco at the following address:

**Great-West Lifeco Inc.
PO Box 6000,
Winnipeg, Manitoba
Canada, R3C 3A5
Attention: Ms. D. Taylor 5C**

Or send it via fax to: (204) 946-7133

4. Great-West Lifeco will complete their sections of the form, sign it, and then mail one copy back to you so that you can submit your copy to CRA.
5. When you receive the signed form back from Great-West Lifeco, you should make a copy for your records and **FORWARD THE FORM TO CRA AT THE ADDRESS INDICATED IN THEIR LETTER TO YOU.**
6. **YOU MUST ENCLOSE A CHEQUE FOR THE LATE FILING PENALTY, AND YOU MAY ALSO WISH TO PAY ANY TAX AND INTEREST DUE AT THIS TIME, TO PREVENT FURTHER INTEREST FROM BEING ASSESSED.**

THE AMOUNT OWING WILL BE THE TOTAL OF THREE COMPONENTS:

i. Late Filing Penalty

You will know what the amount of the late filing penalty for the section 85 Tax Election is from completing the bottom of page 1 of the Tax Election form.

ii. Tax on Taxable Capital Gain

Tax could still be owing on the capital gain related to the cash component of the settlement received, unless the cash received was less than the amount you had paid (cost base) for your CLFC shares. The amount of the taxable capital gain is explained in paragraph 8(ii) on PAGE 14. The tax owing on the taxable capital gain can be estimated by prorating the amount of tax CRA has indicated was owing if the full amount received was taxable (i.e. without the Tax Election).

iii. Interest on Late Payment of Tax on Taxable Capital Gain

Interest may also be due on the tax on the capital gain. You can estimate the amount of interest by prorating the amount CRA has indicated was owing if the full amount received was taxable.

CRA will refund any excess interest or tax paid, or let you know if any further amount is still due.

NOTICE OF OBJECTION / FAIRNESS APPLICATIONS

If you disagree with your Notice of Assessment indicating the taxes you owe or if you disagree with how CRA has interpreted the tax laws, you may file a Notice of Objection, and the Appeals

Division will review your dispute. You have 90 days from the date of your Notice of Reassessment to file an objection. However, if you have missed that deadline you can write to CRA within one (1) year of your Notice of Reassessment to request an extension of time.

To file for an objection you must complete a form T400A and submit it to your local tax office. We have included a copy of the T400A with this Guide or refer to: <http://www.cra-arc.gc.ca/E/pbg/tf/t400a/README.html>. You should also consult the guide listed at the CRA website (<http://www.cra-arc.gc.ca/E/pub/tg/p148/p148-07e.pdf>) for assistance on how to object or dispute your assessment in part or in full.

In addition to filing an objection, you also have the right to appeal to the **Fairness Committee of CRA**. If you believe the interest, penalties or the assessment itself is unfair or unjustified in your case, you should write to the tax office listed on your CRA notice letter as well as to the following Fairness Committee set up by the CRA for this matter:

T1 Compliance Section - 564-1-6
Jonquière Taxation Centre
2251, René-Lévesque Blvd
Jonquière, QC
G7S 5J1

If you have specific questions regarding your circumstances, you should consult with a personal tax advisor. If you have any questions regarding your share holdings please contact Computershare at 1-888-284-9137 or Canada Life at 1-866-246-9993.

KEEP THIS INFORMATION FOR THE FUTURE

INFORMATION ON THE COST OF YOUR GREAT-WEST LIFECO SHARES

You will need to know the cost of your Great-West Lifeco shares to be able to calculate taxable gains in the future when you eventually sell the Great-West Lifeco shares. You don't need to work through this right now, but you should keep this for future reference. In the future you will calculate a gain on the sale of your Great-West Lifeco shares by deducting their "cost" from the cash proceeds you receive. Basically you can get the cost amount back tax-free. Because you made a section 85 Tax Election on this initial transaction, you need to know the rules for calculating the cost of your new Great-West Lifeco shares.

1. If you ended up with a "reportable amount" in column 5 of the Section 85 Tax Election, this means you have 'used up' your full cost amount from the CLFC shares, and your on-going "cost" on all classes of Great-West Lifeco shares will be zero. Any cash received from a future sale will equal the capital gain – half of which will be taxable as a "taxable capital gain". Our example, Mr. Smith is in this position.
2. If you did not end up with a "reportable amount" in column 5 of the Section 85 Tax Election above, this means you have excess "cost" from your CLFC shares to allocate to the different classes of Great-West Lifeco shares. The excess "cost" will equal the amount by which the cost of your CLFC shares exceeded the amount of cash you received on the surrender to Great-West Lifeco. (This will equal the amount in column 3 less the cash amount in line one of column 8 - on page three of the section 85 Tax Election you have just completed.)

If you have excess "cost" after completing the section 85 Tax Election you must allocate it as follows:

Add up the fair market value of the Series E and Series F shares from column 8 of the section 85 Tax Election, page three. (For Mr. Smith this would be \$250.00)

- A) If your excess cost is GREATER than this total, allocate cost equal to the reported fair market value of these shares. (If Mr. Smith had had an excess cost over \$250.00, he would allocate \$200.00 of cost to the Series E, and \$50.00 to the Series F shares.) Any balance of cost remaining would be allocated to the Great-West Lifeco Lifeco Common shares.

B) If your excess cost is LESS than this total, allocate the cost evenly between the Series E and Series F shares, and allocate zero cost to the Common shares. If Mr. Smith had \$150.00 of excess cost from his CLFC shares. He would allocate the \$150.00 between his Series E and F shares as follows:

1. Series E is worth \$200.00 of the \$250.00 total. So Series E gets:
 $(\$150.00 \times \$200.00 / \$250.00)$ or \$120.00 of the cost.

2. Series F is worth \$50.00 of the \$250.00 total. So Series F gets:
 $(\$150.00 \times \$50.00 / \$250.00)$ or \$30.00 of the cost.

3. There will be NO cost to allocate the Great-West Lifeco Common shares in this situation.